ENERGY SECURITY FOR CANADA

SUMMARY OF

ONTARIO'S PERSPECTIVE AND PROPOSALS

Prepared for the federal-provincial
working group on energy security, August 1987

The Government of Ontario believes that Canadian energy security must continue to be a national priority. This means ensuring that adequate supplies of energy are available at reasonable cost to meet the present and foreseeable needs of Canadians. Oil supply security in light of increasing dependence on imported oil is a major concern, but security of supply of natural gas and electricity is also important.

Ontario put forward five key goals and objectives for Canada's national energy policy at the federal-provincial-territorial Energy Ministers' Conference in January 1987. In brief these are:

- Canada must achieve significant further improvements in energy efficiency;
- Canada should develop new energy supplies to enhance energy security and to promote regional economic development;
- energy exports should not compromise national energy security;
- governments should foster the research and development of new energy technologies;
- Canadian energy prices must be competitive.

In Ontario's view, increasing energy efficiency and thus reducing the need for future energy supplies should be the highest priority. Despite recent gains, Canada still lags behind other countries in energy efficiency, and there remains an enormous potential for cost-effective investments in more efficient energy use. To this end, Ontario recommends that:

- Governments should make a commitment to an active program to promote energy efficiency and conservation;
- energy efficiency should be emphasized when new investments are being made in long-lasting capital stock;
- reduced dependence on oil should continue to be a national priority, and Governments should look beyond the short-term to the likelihood of prices rising in the future.

Government leadership is important in improving energy efficiency. The federal government should provide a high level of financial support for research and development of new energy-efficient technologies. In some markets standards and guidelines are the most appropriate approach. The federal government should prepare a national program of energy efficiency standards for new appliances, including refrigerators, freezers, air-conditioners, washers, dryers, dishwashers, heat pumps, water heaters and furnaces. The National Building Code's standards for energy efficiency in new housing should also be updated.

Ontario will continue to play a significant role in energy efficiency. The province will facilitate the adoption of national energy-efficiency standards within its jurisdiction, and will provide leadership in its own buildings and operations. Ontario will match federal iniatives in funding of new energy-efficient technologies under the Canada-Ontario Memorandum of Understanding.

New crude oil supply developments offer a contribution to future energy security to offset the expected decline in conventional oil production. Ontario recommends that it can be beneficial to go ahead with large new oil supply projects sooner than market forces might justify, when the regional development benefits are added to the contribution to future energy security. Policy should aim to reduce the risks that may prevent the development of otherwise economic oil reserves. The governments of Canada, the producing provinces and territories should work together to develop appropriate means of encouragement.

The contribution of light crude oil and natural gas from conventional areas should be maximized. Production can be enhanced by improvements in exploration and methods of extraction. The governments of Canada and the producing provinces should ensure that the return to producers provides adequate incentive for exploration and development.

The economic benefits of energy exports must be weighed against the effects that unchecked exports might have on Canada's energy security. Preserving a sufficient supply for Canadian needs has long been a mainstay of national energy policy. With respect to natural gas exports, Ontario has proposed significant adjustments to the National Energy Board's domestic supply protection test, which would provide producers with greater market access and increased cash flow while protecting domestic supplies. Alternative proposals, which would overturn established export regulation approaches in favour of reliance on contractual commitments, are not acceptable.